

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

NSCE-00 SSO-00 USIE-00 INRE-00 EB-07 COME-00 TRSE-00

OMB-01 JUSE-00 FTC-01 SEC-01 /072 W

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O R 270910Z JUL 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 1138

INFO COMUSJAPAN YOKOTA AB JAP

CINCPAC HONOLULU HI

AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY THE HAGUE

AMEMBASSY ROME

USLO PEKING

C O N F I D E N T I A L TOKYO 11294

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PINT, JA

SUBJECT: ARREST OF FORMER PRIME MINISTER TANAKA

SUMMARY: KAKUEI TANAKA, JAPAN'S PRIME MINISTER FROM 1972 TO 1974, WAS ARRESTED ON JULY 27 ON CHARGES OF VIOLATING THE FOREIGN EXCHANGE LAW BY TAKING SOME FIVE HUNDRED MILLION YEN (\$1.7 MILLION) IN FUNDS SUPPLIED BY THE LOCKHEED CORPORATION. THIS IS THE BIGGEST POLITICAL SCANDAL FOR JAPAN'S RULING LIBERAL DEMOCRATIC PARTY SINCE ITS FORMATION TWENTY-ONE YEARS AGO. THE ARREST DOES NOT MEAN THE END OF JAPAN'S LOCKHEED SCANDAL BUT RATHER OPENS POSSIBILITY THAT ANY AND ALL OF THE OTHER POLITICIANS WHO RECEIVED LOCKHEED MONEY COULD BE ARRESTED AS WELL. WE EXPECT MIKI TO RECEIVE  
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SOME POPULAR AND MEDIA CREDIT FOR "ALLOWING" THE TANAKA

ARREST. PARADOXICALLY, HOWEVER, THE ARREST HAS ALSO DESTROYED THE INTRA-LDP STANDOFF WHICH HAS SUSTAINED MIKI IN POWER. WE EXPECT THAT THE ARREST WILL ALSO SHARPLY REDUCE ANY LINGERING SUSPICION THAT THE U.S. AND GOJ WERE SEEKING TO COVER UP THE LOCKHEED SCANDAL. END SUMMARY.

1. AT 7:28 IN THE MORNING OF JULY 27 FORMER PRIME MINISTER KAKUEI TANAKA WAS BROUGHT TO THE OFFICE OF THE TOKYO PROSECUTOR FOR "VOLUNTARY" QUESTIONING IN CONNECTION WITH THE ONGOING LOCKHEED INVESTIGATION AND WAS ARRESTED AT 8:40 OF THE SAME MORNING. TANAKA IS CHARGED WITH VIOLATION OF THE FOREIGN EXCHANGE AND FOREIGN TRADE CONTROL LAW. HE IS SAID TO HAVE RECEIVED FIVE HUNDRED MILLION YEN (\$1.7 MILLION) THROUGH MARUBENI CORPORATION OFFICIALS FROM THE LOCKHEED AIRCRAFT CORPORATION. TANAKA IS BEING HELD FOR QUESTIONING IN THE PROSECUTOR'S TOKYO DETENTION HOUSE. FROM THERE TANAKA HAS SENT IN HIS RESIGNATION FROM THE LDP. THE LAW SAYS HE CAN BE DETAINED FOR A MAXIMUM OF 22 DAYS. CHIEF RIOJI TAKASE OF THE TOKYO DISTRICT PUBLIC PROSECUTOR'S OFFICE TOLD REPORTERS THAT TANAKA IS SUSPECTED OF, BUT HAS NOT BEEN CHARGED WITH RECEIVING BRIBES BETWEEN AUGUST 9, 1973 AND FEBRUARY 28, 1974 FROM HIRO HIYAMA, THE FORMER CHAIRMAN OF MARUBENI WHO WAS ARRESTED ON JULY 13, 1976. TANAKA'S PRIVATE SECRETARY HAS ALSO BEEN ARRESTED.

2. PROSECUTOR TAKASE TOLD THE PRESS THAT TANAKA IS SUSPECTED OF HAVING RECEIVED LOCKHEED BRIBES IN CONNECTION WITH ALL NIPPON AIRWAYS' (ANA) PURCHASE OF TRI-STAR AIRBUSES AND ALSO THE GOVERNMENT'S PRELIMINARY DECISION IN FAVOR OF P3C "ORION" ANTI-SUBMARINE PLANES INSTEAD OF DOMESTICALLY PRODUCED ONES. HE NOTED THAT TANAKA MET WITH NIXON IN HONOLULU FROM AUGUST 31 TO SEPTEMBER 1, 1972, THAT TANAKA THEN MET WITH HIYAMA ON OCTOBER 14, 1972 AND WITH ANA PRESIDENT WAKASE (ARRESTED JULY 8) ON OCTOBER 24. THE LATTER MEETING WAS FOLLOWED BY ANA'S DECISION TO PURCHASE SIX TRI-STARS ON OCTOBER 30. IN ANNOUNCING THE ARREST, TAKASE SAID HE EXPECTED A NUMBER OF OTHER HIGH OFFICIALS WOULD SOON BE ARRESTED. CONFIDENTIAL

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3. NEWS OF THE ARREST BROUGHT EXPRESSIONS OF SURPRISE FROM ALL QUARTERS. PRIME MINISTER MIKI SAID AT A MEETING OF CABINET MINISTERS ON THE MORNING OF THE 27TH THAT THE LDP IS FACING ITS GREATEST CRISIS. HE TOLD THE PRESS AFTER THAT MEETING THAT HE WOULD DO HIS UTMOST TO UNRAVEL ALL THE FACTS OF THE SCANDAL IN ORDER TO RESTORE THE PEOPLE'S TRUST IN THE LDP. HE

ALSO SAID HE WOULD NOT DISSOLVE THE LOWER HOUSE FOR ELECTIONS UNTIL THE LOCKHEED SCANDAL HAD BEEN CLEARED UP. FORMER LDP SEC GEN, TANAKA CABINET MINISTER OF TRANSPORTATION AND TANAKA FACTION LIEUTENANT TOMISABURO HASHIMOTO, WHO HIMSELF HAS BEEN MENTIONED IN THE PRESS AS A PROBABLE BRIBE RECIPIENT, GREETED NEWS OF TANAKA'S ARREST WITH "UNBELIEVABLE, UNBELIEVABLE. I TRUST TANAKA." THERE WILL APPARENTLY BE A SUMMIT MEETING OF CABINET AND LDP LEADERS LATER TODAY.

4. SPOKESMAN FOR ALL FOUR OPPOSITION PARTIES ALSO EXPRESSED SURPRISE AT THE ARREST AND URGED THE PROSECUTORS TO CONTINUE THEIR INVESTIGATIONS UNTIL ALL GUILTY PARTIES WERE UNDER ARREST. SIMILARLY, THE CHAIRMAN OF THE JAPAN CHAMBER OF COMMERCE AND THE PRESIDENT OF THE FEDERATION OF ECONOMIC ORGANIZATIONS (KEIDANREN) CALLED FOR THE LDP TO TAKE WHATEVER MEASURES WERE NECESSARY TO CLEAN HOUSE. APPARENTLY REACTING TO NEWS OF THE ARREST, THE TOKYO STOCK EXCHANGE BEGAN THE DAY WITH A LARGE DECLINE IN PRICES AND VOLUME OF SALES.

5. COMMENT: THE TANAKA ARREST IS QUITE OBVIOUSLY THE BIGGEST SHOCK THE LDP HAS EVER RECEIVED. THE SURPRISE, AND TO A CERTAIN EXTENT DISMAYED SHOCK, WITH WHICH IT WAS MET WILL BE FOLLOWED, WE FEEL, BY SEVERAL DAYS OR PERHAPS WEEKS OF CONFUSION IN PARTY AND GOVERNMENT RANKS. IF A TANAKA CAN BE ARRESTED, THE POSSIBILITY OF ARRESTING OTHER POLICICIANS IS WIDE OPEN.

6. FOR PRIME MINISTER MIKI THE TANAKA ARREST CUTS BOTH WAYS. AS WE SAW IN HIS PRESS CONFERENCE JUST AFTER THE ARREST, MIKI HASTENED TO CAST HIMSELF IN THE ROLE OF THE LEADER WHO IS CONFIDENTIAL

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FULFILLING HIS PROMISE TO THE PEOPLE TO CLEAR UP THE SCANDAL. ON THIS SCORE HE WILL RECEIVE, RIGHTLY OR WRONGLY, BOTH CREDIT AND ANY BLAME FOR WHAT THE PROSECUTORS DO. FOR THE PRESENT WE EXPECT MIKI WILL GET CREDIT IN POPULAR AND MEDIA CIRCLES FOR "PERMITTING" THE INVESTIGATIONS TO GO AS FAR AS TANAKA HIMSELF. AT THE SAME TIME, THE ARREST OF TANAKA HAS PARADOXICALLY DESTROYED THE INTRA-LDP STANDOFF (BETWEEN FUKUDA AND TANAKA) WHICH HAS BEEN THE MAJOR FACTOR BOTH IN BRINGING MIKI INTO POWER AND IN MAINTAINING HIM THERE. MOREOVER, WE EXPECT THAT THE TANAKA ARREST WILL GO FAR TO ELIMINATE ANY LINGERING SUSPICION AOMONG JAPANESE PEOPLE OF COLLUSION TO COVER UP THE LOCKHEED SCANDAL BY THE U.S. AND GOJ. THESE ASSESSMENTS, OF COURSE ARE PRELIMINARY. THE FULL IMPACT OF LOCKHEED ON JAPAN'S BODY POLITIC HAS YET TO BE FELT OR WEIGHED.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BRIBERY, ARRESTS, POLITICAL LEADERS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 JUL 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976TOKYO11294  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760288-1096  
**From:** TOKYO  
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**Image Path:**  
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**Office:** ACTION EA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 03 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <03 MAY 2004 by buchant0>; APPROVED <26 AUG 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ARREST OF FORMER PRIME MINISTER TANAKA SUMMARY: KAKUEI TANAKA, JAPAN'S PRIME MINISTER FROM 1972  
**TAGS:** PINT, PINS, JA, LOCKHEED, (TANAKA, KAKUEI)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006